

## Message Text

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11  
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 EB-07 COME-00 TRSE-00 OMB-01

AGR-05 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00

NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05 CEA-01

CIEP-01 STR-04 /096 W  
----- 032553

R 180910Z AUG 76  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 7723  
INFO AMEMBASSY BONN  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY LONDON  
AMEMBASSY LUXEMBOURG  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS  
USDEL MTN GENEVA

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PASS AGRICULTURE

E.O. 11652: N/A  
TAGS: EAGR, BE  
SUBJECT: EUROPEAN DROUGHT

REF: A) STATE 194278, B) TOFAS 102, C) BRUSSELS 007252

BEGIN SUMMARY. THE RECENT DROUGHT HAS ADVERSELY AFFECTED CERTAIN  
COMMODITIES; HOWEVER, TOTAL PRODUCTION FOR SEVERAL MAJOR CROPS IS  
ESTIMATED AT NEAR NORMAL LEVELS. WHILE SOME PRGDUCERS HAVE INCURRED  
SUBSTANTIAL LOSSES, THE GOB DOES NOT SEEM READY, AT PRESENT, TO  
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INTERVENE ON A LARGE SCALE, EVEN IF THE SITUATION DETERIORATES

SHARPLY. IT DOES NOT APPEAR THE DROUGHT WILL CAUSE THE GOB TO ALTER ITS BASIC POSITION ON THE CAP. END SUMMARY.

1. ALTHOUGH THE BELGIAN MEDIA HAS COMMENTED EXTENSIVELY ON THE RECENT DROUGHT, MOST SOURCES AGREE IT IS STILL TOO EARLY TO ACCURATELY ASSESS THE FINANCIAL IMPACT OF THE DROUGHT ON BELGIAN AGRICULTURE, AS WELL AS ON THE OVERALL ECONOMIC SITUATION. WHILE RETAIL FOOD PRICES FOR CERTAIN ITEMS LIKE VEGETABLES (INCLUDING POTATOES) HAVE INCREASED SHARPLY, PRODUCER PRICES FOR THESE SAME ITEMS HAVE NOT INCREASED PROPORTIONALLY. NEVERTHELESS, BELGIAN FARM ORGANIZATIONS HAVE EMPHASIZED THE SEVERITY OF THE DROUGHT FOR CERTAIN COMMODITIES AND HAVE SOUGHT GOB ASSISTANCE FOR THESE SECTORS. TO DATE, GOB INTERVENTION HAS BEEN LIMITED LARGELY TO TAX RELIEF MEASURES AND SUBSIDIES FOR TRANSPORTATION OF FORAGE CROPS TO DEFICIT AREAS. APPARENTLY THE GOB IS TAKING A CAUTIOUS APPROACH TO THE QUESTION OF DAMAGE COMPENSATION UNTIL A MORE THOROUGH ASSESSMENT IS MADE (LATE FALL 1976). AS REPORTED EARLIER, IT APPEARS THE DROUGHT HAS NOT BEEN AS HARMFUL TO BELGIAN AGRICULTURE AS WAS FEARED EARLIER. PRODUCTION ESTIMATES FOR THE MAJOR COMMODITIES HAVE BEEN REPORTED IN PREVIOUS CALBES.

2. MOST BELGIANS THINK DROUGHT DAMAGE IN THE EC WILL BE COSTLY; HOWEVER, SOME MOA OFFICIALS BELIEVE A FEW EC MEMBER STATES LESS AFFECTED BY THE DROUGHT MAY BE RELUCTANT TO USE FEOGA FUNDS TO COMPENSATE THE MAJOR PORTION OF LOSSES INCURRED IN OTHER COUNTEIS. REPORTEDLY, THESE MEMBERS WOULD PREFER TO SEE THE BULK OF RELIEF MEASURES FUNDED ON A NATIONAL RATHER THAN EC LEVEL.

3. THE PRESENT BELGIAN ECONOMIC SITUATION APPEARS TO PRECLUDE LARGE FINANCIAL OUTLAYS FOR DROUGHT DAMAGE, IF SUCH ARE NEEDED. ALTHOUGH FARM ORGANIZATIONS WOULD PUBLICLY DENOUNCE SUCH AN ATTITUDE, IT IS LIKELY THEY THEN WOULD FOCUS THEIR EFFORTS ON OBTAINING HIGHER PRODUCER PRICES TO COMPENSATE FOR DROUGHT LOSSES, AS WELL AS INCREASED COSTS OF PRODUCTION, THE LATTER OCCURRING PRIMARILY FOR FEEDSTUFFS IN THE BEEF AND DAIRY SECTORS.

4. OPINIONS AT THE MOA POLICY LEVEL SEEM SOMEWHAT DIVIDED CONCERNING THE CONSEQUENCES OF THE DROUGHT ON THE CAP. IN GENERAL, BELGIAN AGRICULTURE HAS BENEFITED UNDER THE CAP, AND THE GOB CONTINUES TO DEFEND MANY EC POLICIES, MOST NOTABLY IN THE DAIRY LIMITED OFFICIAL USE

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SECTOR. SOME CONCERN ABOUT THE GRAIN CAP HAS BEEN EXPRESSED, BASED LARGELY ON DIFFICULTIES WHICH ARISE BECAUSE OF DIFFERENCES IN PRODUCTIVE CAPACITIES IN VARIOUS REGIONS AND COUNTRIES WITHIN THE EC. IN ADDITION, THERE APPEARS TO BE SOME DISENCHANTMENT WITH POLICIES ATTRIBUTED TO MR. LARDINOIS, ALTHOUGH IT IS GENERALLY CONCEDED THAT NO BASIC CHANGES IN TAUILL COME ABOUT PRIOR TO HIS DEPARTURE, AND THEN ONLY IF HIS SUCCESSOR IS FAVORABLY DISPOSED TO SUCH CHANGES.

5. BELGIUM AND LUXEMBOURG ARE AMONGST THE SMALLER EC MEMBERS AND IT IS DOUBTFUL THEY WOULD INITIATE ANY MAJOR REFORMS IN THE CAP BY THEMSELVES. IT DOES NOT APPEAR TO US THAT THE DROUGHT WILL CHANGE THIS ATTITUDE. THE SAME CAN BE SAID CONCERNING A CHANGE IN STRATEGY IN THE MTN NEGOTIATIONS. IT IS ALSO CLEAR THAT THE COST OF THE CAP AND ITS IMPACT ON THE COST OF LIVING IS NOT GENERALLY UNDERSTOOD BY THE BELGIAN CONSUMER, HENCE THE ABSENCE OF PRESSURE FROM THIS SECTOR.

6. AS REPORTED EARLIER, WE PRESENTLY BELIEVE THAT THE POLITICAL AND SOCIAL CONSEQUENCES OF THE DROUGHT WILL BE LIMITED. RENNER

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## Message Attributes

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